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CHARLES ELMORE CROPLEY

IN THE

Supreme Court of the United States

OCTOBER TERM, 1946

No. 208

TRANSPARENT WRAP MACHINE CORPORATION,

Petitioner,

vs.

STOKES AND SMITH COMPANY,

Respondent.

REPLY TO RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

R. MORTON ADAMS,
Counsel for Petitioner.

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The reasons set forth in the petition for granting the writ are (1) that the holding below is contrary to the holding of this Court in the *Hartford-Empire* case, (2) that the holding below is in conflict with the holding of the Circuit Court of Appeals of the Seventh Circuit in the *Allbright-Nell* case, (3) that the holding below is an innovation in the law going beyond and contrary to the earlier cases, and (4) that the holding below is of far reaching consequence and importance.

Respondent's brief, although superficially challenging these grounds, does not challenge them in substance.

1. Respondent has apparently misread the opinion of the Court in the *Hartford-Empire* case at pages which respondent cites (pp. 417-18 of 323 U. S.). Certainly we

find nothing there which even mentions a license provision such as was held illegal below; the Court was there approving, with modification, the holding of the trial court that, as a step in dissolving the illegal combination, licenses without any restrictions should be issued *in the illegally monopolized fields* to all applicants. Respondent, however, omits to refer to page 424 where this Court, as pointed out in our petition, modified paragraph 29 of the decree so as to permit the patent owners, except in the already illegally monopolized fields, to include a patent license condition such as was *per se* held illegal by the Court below in the instant case.

Also we find nothing whatsoever to justify respondent's assertion that this Court, on rehearing (324 U. S. 570) "specifically held that the deletion of the *illegal* provisions did not give the licensor the right to terminate the license agreement."

As pointed out in our petition the holding of this Court in the *Hartford-Empire* case with respect to Paragraph 29 of the decree was contrary to the holding below,—and there is nothing in respondent's brief to minimize or alter this fact.

2. Respondent, by necessary implication, admits the direct conflict with the decision of the Seventh Circuit Court of Appeals in the *Allbright-Nell* case. Respondent attempts to avoid the effect of the conflict by asserting that the decision of the Seventh Circuit Court of Appeals was prior to the line of decisions of this Court on which respondent relies, intimating that had the Circuit Court of Appeals of the Seventh Circuit known of the principle on which they are based, it would not have ruled as it did. *But the fact is* that the *Carbice* case—the leading case on which respondent relies—was decided in 1931, three years before the Seventh Circuit Court of Appeals decision in the *Allbright-Nell* case; and, *moreover*, when the Seventh Circuit Court of Appeals decided the *Allbright-Nell* case,

it was fully aware of the *Carbice* case and had cited it and applied the principle thereof in *American Equipment Co.* v. *Tuthill,* 69 F. 2d 406, decided only a few months before.

The Circuit Court of Appeals for the Seventh Circuit although well aware of the doctrine that acts outside the patent monopoly and in themselves illegal cannot be accomplished, or justified, by means of a patent monopoly, did not extend the doctrine, as did the Court below, to a case where the acts were in themselves perfectly *legal.*

The Seventh Circuit, on facts on all fours, reached a result directly in conflict with the holding below—and this is not disputed by respondent.

3. Respondent, in baldly asserting that the decision below presents no novel question of law, not only fails to discuss the majority opinion below but ignores the specific statement of the majority that a provision otherwise legal becomes illegal merely because it is a condition in a patent license; ignores the statement in Judge Swan's dissent that the decision goes beyond the prior cases in this Court and is contrary to the prior decision in the Seventh Circuit; ignores the fact the Trial Judge, Judge Clancy, rejected respondent's contention and held it unsupported by the cited cases; and, ignores the fact that in none of the cases cited by respondent or relied upon by the majority of the Court below was there any provision such as the one now held illegal nor any holding that an otherwise legal provision became illegal merely because it was in a patent license.

Respondent irrelevantly tries to make it appear that the question decided below arose because of some ingenious attempt by petitioner to evade the principle applied by this Court in the *Carbice* case but nothing could be further from the truth as a moment's consideration of the facts will establish—the parties made and entered into

a straight-forward agreement for the sale of a business in a patented machine and for the subsequent conduct of the business for their joint benefit; there was no element of elimination of competition whatsoever; and no thought of monopolizing unpatented materials or limiting prices, quantities, or anything else. The so-called illegality of the clause was first conceived by respondent and injected by bringing the present suit without notice to petitioner.

4. Widespread importance of the question presented is not even challenged by respondent.

Conclusion

The reasons for granting the writ remain as stated in the petition and petitioner prays that the writ be granted.

Respectfully submitted,

R. Morton Adams,
Counsel for Petitioner.